

Decision **DRAFT DECISION OF ALJ ALLEN** (Mailed 2/15/2005)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Southern California Edison Company (E 338-E) for Authority to Institute a Rate Stabilization Plan with a Rate Increase and End of Rate Freeze Tariffs.

Application 00-11-038
(Filed November 16, 2000)

Emergency Application of Pacific Gas and Electric Company to Adopt a Rate Stabilization Plan. (U 39 E)

Application 00-11-056
(Filed November 22, 2000)

Petition of THE UTILITY REFORM NETWORK for Modification of Resolution E-3527.

Application 00-10-028
(Filed October 17, 2000)

**OPINION ALLOCATING THE 2005 REVENUE
REQUIREMENT DETERMINATION OF THE
CALIFORNIA DEPARTMENT OF WATER RESOURCES**

I. Summary

This decision allocates the 2005 revenue requirement of the California Department of Water Resources (DWR), using the methodology adopted by this Commission in Decision (D.)04-12-014. This decision also performs a “true-up” of DWR’s 2003 revenue requirement and adopts adjustments that reflect actual IOU costs and remittances through September, 2004. As described in the parties’ briefs, along with submissions from DWR, the parties have resolved their

differences and reached general agreement on the issues presented in this proceeding.¹ We adopt the recommendations of the parties.

II. 2003 True Up

The parties agree that this proceeding's true-up of DWR's 2003 revenue requirement should be final, and they further agree that DWR's prepared schedules properly reflect the correct outcome of that true-up. (See, e.g. PG&E's Reply Brief, pp. 1, 3; SDG&E's Reply Brief, p. 3.) Accordingly, the 2003 revenue requirement is trued-up as shown in DWR's schedules, attached as Appendix A to this decision.

III. 2004 and 2005 Allocations

The parties agree that the allocations for 2004 and 2005 should be considered interim or placeholder allocations, subject to later true up. Specifically, the 2004 allocation would be trued-up in the Commission proceeding addressing DWR's 2006 revenue requirement allocation, and the 2005 allocation would be trued-up in the proceeding addressing DWR's 2007 revenue requirement allocation. As PG&E describes the true-up process, the allocations for 2004 and 2005 would be: "[S]ubject to adjustment to reconcile actual data and classification of such data to the utilities' actual remittances and the Commission's permanent allocation methodology." (PG&E Reply Brief, p. 3.) SCE describes it similarly, noting that, "[T]he actual costs and revenues incurred

¹ Opening and Reply Briefs were received from Pacific Gas & Electric (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E). DWR served a submission dated January 26, 2005, and a supplemental submission dated February 7, 2005, containing schedules that reflect its calculations of the agreed-upon allocations.

and received by DWR in 2004 and 2005 are subject to true-up, along with the categorization of the costs, to the extent the current categorizations are not consistent with the Commission's decisions." (SCE Reply Brief, p. 2.)

We agree. The 2004 and 2005 allocations are based in part on forecasts, and it is appropriate to true-up those forecasts once actual data becomes available, consistent with our prior practice in this proceeding.

In order to reach an agreement, the parties found that they needed to resolve what SDG&E identified as a "mismatch" between the allocation of costs and revenues. (SDG&E Reply Brief, p. 2; see also SCE Reply Brief, pp. 1-2.) The resolution of this issue is described by PG&E:

There appeared to be broad consensus that the cost follows contract (CFC) methodology should be applied using general principles of consistency. This requires proper application of the following two principles:

- If costs associated with a contract are specifically allocated to a utility, then revenues derived from those costs also should be specifically allocated to that utility (i.e., if one utility is paying gas costs then it should be entitled to the revenues produced with those gas costs). Conversely, if costs are shared (e.g., because the contract has not been allocated), then the related revenues also should be shared.
- To the extent a contract has been allocated to a specific utility, the costs and revenues associated with that contract should be specifically allocated to that utility and these costs and revenues (on an "expected" or other appropriate basis) should be taken into account in determining that contract's "above market cost." (PG&E Reply Brief, p. 2.)

We adopt this approach, as it simply makes sense, and does not appear to be in conflict with the principles we stated in D.02-09-053 and D.04-12-014, the

decisions presently controlling the methodologies used for allocating the costs of DWR contracts.

Given these conditions, the allocations agreed to by the parties and DWR for 2004 and 2005 are adopted, as shown in Appendix A to this decision.

IV. Utility-Specific Balancing Accounts

Ordering paragraph 9 of D.04-12-014 directed the utilities to work with DWR and the Commission's Energy Division to implement utility-specific balancing accounts. The utilities were ordered to submit advice letters within 75 days of the decision, describing the utility-specific balancing accounts and how they will work. (Id., p. 16.) Accordingly, we expect the utilities to submit these advice letters by February 15th, 2005. In its review of these advice letters, the Energy Division should ensure that they reflect the allocations and approaches we adopt today.

V. Bond Charge and Utility Power Charges

In the model supporting its November 5, 2004 Determination, DWR calculates a 2005 Bond Charge of \$.005471 per kWh. We adopt that value.

The utility-specific DWR Power Charges that result from the adopted allocation of DWR's 2005 revenue requirement have been calculated by the Commission's Energy Division, and added as line 31 on Schedule 3, attached as part of Appendix A. Consistent with our past practice, these Power Charges are effective as of January 1st, 2005. The utilities should work collaboratively with DWR to agree on any adjustments required for remittances between that date and the effective date of this decision. Utility-specific rate design proposals should be handled in each utility's advice letter filing implementing this decision.

VI. Petition for Modification and Rehearing

We note that SDG&E has filed a petition for modification of D.04-12-014, and that we partially granted SDG&E's request for rehearing of D.04-12-014 in D.05-01-036. This decision does not address or resolve the petition for modification or any of the issues within the scope of the limited rehearing granted by D.05-01-036. The assigned Administrative Law Judge (ALJ) and assigned Commissioner can determine the process for addressing the petition for modification and the limited rehearing.²

VII. Rehearing and Judicial Review

This decision construes, applies, implements, and interprets the provisions of Assembly Bill (AB)1X (Chapter 4 of the Statutes of 2001-02 First Extraordinary Session). Therefore, Pub. Util. Code § 1731(c) (applications for rehearing are due within 10 days after the date of issuance of the order or decision) and Pub. Util. Code § 1768 (procedures applicable to judicial review) are applicable.

VIII. Assignment of Proceedings

Geoffrey F. Brown is the Assigned Commissioner and Peter V. Allen is the assigned Administrative Law Judge in these proceedings.

IX. Comments on Draft Decision

The draft decision of the ALJ in this matter was mailed to the parties in accordance with Pub. Util. Code § 311(g)(1) and Rule 77.7 of the Commission's Rules of Practice and Procedure. Comments were received on _____. Reply comments were received on _____.

² We are informed that the assigned ALJ intends to address and resolve the petition for modification prior to addressing the limited rehearing.

Findings of Fact

1. The parties have reached agreement on the issues in this case, including the true-up of DWR's 2003 revenue requirement allocation, adjustments to the allocation of DWR's 2004 revenue requirement, and the allocation of DWR's 2005 revenue requirement.
2. DWR calculates a 2005 Bond Charge of \$.005471 per kWh.
3. The Commission's Energy Division has calculated utility-specific DWR Power Charges for 2005 from the adopted allocation of DWR's 2005 revenue requirement.
4. SDG&E has filed a petition for modification of D.04-12-014, and the Commission, in D.05-01-036, partially granted SDG&E's request for rehearing of D.04-12-014.

Conclusions of Law

1. The parties' agreement on the allocation issues is reasonable, is consistent with prior Commission decisions, and should be adopted.
2. DWR's calculation of the 2005 Bond Charge should be adopted.
3. Energy Division's calculation of the utility-specific 2005 DWR Power Charges should be adopted.
4. This decision need not and should not address or resolve SDG&E's petition for modification of D.04-12-014, nor should it address or resolve any of the issues within the scope of the limited rehearing granted by D.05-01-036.

O R D E R**IT IS ORDERED** that:

1. The parties' agreement on the 2003, 2004, and 2005 allocation issues is adopted, as shown in Appendix A.

2. The 2005 Bond Charge is set at \$.005471 per kWh, as calculated by DWR.
3. The utilities shall provide updated estimates of direct access customer responsibility surcharge revenues in their implementation advice letters.
4. The 2005 Power Charges shown in Appendix A, after final adjustments by the utilities as described above for the direct access customer responsibility surcharge, shall go into effect immediately, and will remain in effect until further order of the Commission.
5. Within 14 days of the issuance of today's decision, Southern California Edison Company (SCE), Pacific Gas and Electric Company (PG&E), and San Diego Gas & Electric Company shall file advice letters with revised tariffs that reflect the power charges, as adjusted for the direct access customer responsibility surcharge. These new tariffs shall be effective as of the date of today's decision, subject to review by the Commission's Energy Division.
6. The assigned administrative law judge and commissioner can determine the process for addressing the open petition for modification and limited rehearing.
7. Pub. Util. Code § 1731(c) (applications for rehearing are due within 10 days after the date of issuance of the order or decision) and Pub. Util. Code § 1768 (procedures applicable to judicial review) are applicable to this decision.
8. This order is effective immediately.

Dated _____, at San Francisco, California